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MSc in Tourism Transport and Environmental Economics

**A THEORETICAL REVISION OF THE IMPACT OF EMPLOYEE JOB
SATISFACTION ON EMPLOYEE LOYALTY IN THE TOURISM INDUSTRY**

TITLE

Jibek Sarieva

12409199

(Student's signature)

Supervised by: Teresa Aguiar Quintana

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INTRODUCTION

At present, the hotel industry is an industry with a high level of competition. Over the past few years, the hospitality industry has undergone main changes. In the modern world the number of hotels is increasing every year and as a consequence it increases the competition within this industry. Under these circumstances, hotels are forced to fight for survival, expanding their range of services and improving their quality. In order to achieve better quality service, the management of human resources is determinant. The employees need to be motivated and inspired by their managers to produce high levels of service quality. As long as they feel engaged with the mission of the organization where they work, they will put more efforts in offering a better service to the customers and as a result they will perceive better results from their jobs that will lead to increase their levels of job satisfaction.

Authors such as Ivancevich and Donnelly (1968) argue that almost every writer has defined job satisfaction in his own way, although this leads to basically a definition with a lot of similarities. The most popular definition of job satisfaction was developed by Locke (1976) who defined employee job satisfaction as a pleasurable or positive emotional state that results from the appraisal of one's job or job experience.

Recent research has focused on the impact of human resources practices on some organizational outcomes. In the last decade, Kim *et al.*, (2005) made an empirical research and concluded that employees who are satisfied with their jobs are more loyal to the organization in which they work. Therefore, when increasing employee satisfaction, the level of employee loyalty increases as an organizational outcome.

Although the marketing literature has made an important research about employee loyalty, there are many scientific articles and publications focused on the topic of employee loyalty in the recent literature. The concept of loyalty means a sense of trust in relation to something specific; or an ability and desire to obey the requirements of the worker. Initially, Porter *et al.*, (1979) offered a definition of loyalty within the adjusting approach, which has become very common in Western literature. The authors have identified it as a great desire to stay and work in the company, to adopt its values and goals, as well as the readiness of the worker to invest all their efforts in the interests of the organization. Moreover, almost all authors stress that an increase in employee loyalty decreases the probability of the employee leaving the company.

The main objective in this master thesis is to make a literature revision of two important topics (employee satisfaction and employee loyalty) in the tourist sector in general and in the hospitality sector in particular, and to examine the results by different countries like Hungary, USA, and Taiwan. For the purpose of our theoretical revision we explore the relationship between employee satisfaction and employee loyalty in the tourism industry as an important outcome for the tourist organizations. To fulfill the purpose of our master thesis, we make a theoretical revision of important scientific academic journals in order to: (1) study the main determinants of employee job satisfaction and employee loyalty; (2) explain the impact that employee job satisfaction has on employee loyalty; and, (3) revise the main conclusions of studies regarding employee job satisfaction and employee loyalty in the hospitality sector.

In the first chapter we make a comparative table with various definitions about employee job satisfaction provided by different authors in the literature review. Further, in the second chapter we consider in detail the concept of employee loyalty offered by authors from different countries. We also make a comparative table with definitions about employee loyalty and in another table we summarize the main conclusions and results provided by some authors. In our third chapter we explain the impact that employee job satisfaction has on

employee loyalty based on the results of some empirical studies. In this chapter we mention some authors like Chang *et al.* (2010) who concluded that, employee job satisfaction is an antecedent to employee loyalty. Some other studies such as Jun *et al.* (2006) and Arsi *et al.* (2002) also consistently reported a strong relationship between employee loyalty and employee job satisfaction. Also we explained the importance of some variables in the organization as Leadership, Human relations and values, Personal development and competencies, Job contents, Creativity and innovation and Customer orientation for achieving employee job satisfaction and as a consequence employee loyalty.

Then in the fourth chapter we summarize the main results of the few empirical studies about these topics (employee job satisfaction and employee loyalty) that have been developed in the hospitality sector and in different countries such as USA, Taiwan and Hungary and finally we point out the main conclusions of our theoretical revision.

1. THEORETICAL REVISION OF EMPLOYEE JOB SATISFACTION

There is an immense amount of literature on employee job satisfaction, and as a result, there are several definitions. Ivancevich and Donnelly (1968) argue that almost every writer has defined job satisfaction in his own way although this leads to basically a definition with a lot of similarities.

Table 1. Conceptualization of employee job satisfaction

Authors	Definitions of employee job satisfaction
Hoppock (1935)	Employee satisfaction is a combination of psychological and environmental circumstances that cause a person to be satisfied with his or her work.
Locke (1969)	He first defined employee job satisfaction as the pleasurable emotional state resulting from the evaluation of one's job. Job satisfaction can be viewed as "the pleasurable emotional state resulting from the appraisal of one's job as achieving or facilitating the achievement of one's job values" Job satisfaction is a function of the perceived relationship between what one wants from one's job and how one perceives it as offering or entailing a benefit.
Williams and Hazer (1986)	Employee job satisfaction could be predicted by pre-employment expectations, perceived job characteristics, leadership considerations and age. Job satisfaction significantly and positively contributed to the outcomes of organizational commitment, which reduced employees' intentions to leave and subsequently resulted in decreased turnover.
Rice <i>et al.</i> (1989)	Employee job satisfaction is determined, in part, by the discrepancies resulting from a psychological comparison process involving the appraisal of current job experiences against some personal standards of comparison, which showed out that job satisfaction depends mostly on the outside factor, which is other employees job experiences.
Efraty and Sirgy (1990)	Employee job satisfaction is defined as "one's effective appraisal of various job dimensions". This includes the work itself,

	supervision, pay, promotion policies, and co-workers.
Camp (1994)	Employee job satisfaction as an individual's response to his work conditions and to what degree an employee feels positively or negatively about different facets of his/ her job.
Eskildsen & Dahlgard (2000)	Employee satisfaction is considered to be one of the most important drivers of quality, customer satisfaction and productivity.
Eskildsen & Nussler (2000)	Employee Satisfaction directly influences process quality. Process quality, in turn, determines quality costs and customer satisfaction.
Goris <i>et al.</i> (2003)	Provide justification for trust in superiors and influence on superiors as predictors of performance and satisfaction.
Brashear <i>et al.</i> (2003)	They found that interpersonal trust is most strongly related to share values and respect. In their empirical study, trust was directly related to job satisfaction and relation, and indirectly related to organizational commitment and turnover intention.
Rayton's (2006)	Empirical research revealed that perceived levels of job reutilization and higher levels of work involvement, pay satisfaction, managerial support and career opportunities are significant determinant of employee job satisfaction.

Source: Own Elaboration

The first researchers in this topic have approached job satisfaction from the perspective of the fulfilment of needs by asking whether the job met the employee's physical and psychological needs (Porter, 1962; Wolf, 1970).

The following researchers on Employee Job satisfaction have shown that this variable have a significant relationship with organizational commitment and employee turnover (Barrow, 1990; Porter and Steers, 1973; Schlesinger and Zornitsky, 1991; Testa, 2001). For this reason it has been generated a widespread interest among both researchers and practitioners. According to this, Schlesinger (1982) indicated that employees who are satisfied with their jobs provide better services than those who are not satisfied. Because service products are provided through people, employers need to maintain employees' expectations (Rafaeli, 1989) and this is especially true in the hospitality and tourist industry because it is heavily based on human interactions (Spinelli and Canavos, 2000).

McNeese-Smith (1997) indicated that employees who experience job satisfaction are likely to be more productive and stay on the job. Hoteliers need to keep employees longer, not only due to the cost of hiring and training new employees, but also experienced employees tend to provide a more positive performance, which is linked to customer satisfaction (Bedeian *et al.*, 1992). Employee job satisfaction is directly associated with customer loyalty and customer loyalty is unequivocally related to profitability (Fay, 1994; Iaffaldano and Muchinsky, 1985). Therefore, if employees make an effort in maintaining quality, it would be the ideal method to sustain a solid reputation and build a repeat customer base (Keane, 1996).

Porter and Lawler (1968) divided influences on job satisfaction into: (1) internal satisfactory factors related to the work itself, such as feeling of achievement, feeling of independence, self-esteem, feeling of control and other similar feelings obtained from work; and (2) the external satisfactory factors not directly related to work itself, such as receiving praise from the boss, good relationships with colleagues, good working environment, high salary, good welfare and utilities.

One of the first researchers in this topic like Hoppock (1935) views job satisfaction as impossible to measure in one specific manner. The effect of job satisfaction on employee retention may be just an equation in general; however, it is important to explore and understand the key factors of job satisfaction and individual characteristics that differentiate individual levels of satisfaction (Franek and Vecera, 2008).

Related to that, Yamaguchi and Garey (1994) declared that workers who are more comfortable with their work environments demonstrate more satisfaction with their jobs but that satisfaction differed by individual characteristics.

Directly related to the management of employee satisfaction is the atmosphere in the team, which is relevant in order to have productive work and to assume the stability of relations between the employee and the employer. In this case, it is important to take into account both formal and informal relationships within the team. In every company there is a certain system of values and that does not require any management decisions or orders to be established. Employees take into account what their leader appreciates and encourages and afterward they build their work to meet the expectations of the managers. In addition, each employee can bring something special to the overall value system.

For example, if the company comes to sports fan, it proposes to introduce the practice of corporate visits to the gym and create a sports team from the staff. Another worker, an advocate of proper diet, can bring to the system of values of health care. The third, who wants to earn as much as possible, is able to show an example of quick enrichment and their colleagues will want to follow his example.

In simple terms, job satisfaction explains what makes people want to come to work and what makes them happy about their job or not to quit their job. Employee job satisfaction can be understood as the ability of the employees to give their opinions about their general emotions and their thinking about their jobs and workplaces as the result of the comparison to others. Therefore, employee job satisfaction is affected by other factors and changes when other factor changes.

The earliest and well-known study about factors that affect job satisfaction was the studies of Herzberg (1968). In his study, Herzberg (1968) interviewed a group of employees to find out what made them satisfied and dissatisfied on the job and found out two important factors that affect job satisfaction were motivation and hygiene factors. Motivation-hygiene theory factors pointed out that factors creating of job satisfaction were separate and distinct from factors that led to job dissatisfaction. Factors that led to job satisfaction are call motivators and include achievement, recognition, the work itself, responsibility and advancement.

Factors that prevent job satisfaction and lead to job dissatisfaction are call hygiene factors and include administrative policies, supervision, salary, interpersonal relations and working conditions.

Herzberg (1968) study had put a strong foundation for later research on factors that affect job satisfactions. From the beginning of the 20th century, several researches were conduct to find out the set of factors that has greater effect on job satisfaction. Later, according to Pearson (1991), the basic factors that have significant influences on employee motivation and job satisfaction are payment, promotion and autonomy.

However, there are more factors that have critical effects on employee job satisfaction. Recently, Arsic *et al.* (2012) use the elements of Total Quality Management (TQM) practice to investigate their effects on employee job satisfaction and loyalty. They suggested that top management commitment, employee empowerment, teamwork, job evaluation and employee

compensation are critical factors of TQM practice that would positively impact employee job satisfaction.

Jun *et al.* (2006) also investigated the effects of TQM practice on employee job satisfaction. They found that employee empowerment, teamwork, and employee compensation have a significant and positive influence on employee job satisfaction and also the improved employee job satisfaction leads to a higher level of employees' organizational loyalty. Another study that also used the concept of Total Quality Management practice is the study of Chang *et al.* (2010). According to this study, employee job satisfaction can be improved through the inclusion of TQM practices associated with human resources. These practices are based on employee empowerment, employee compensation, management leadership and team-work.

Also in terms of employee job satisfaction, Parvin (2011) has mentioned four dimensions that have a profound impact on employee job satisfaction: comprising salary, efficiency in work, fringe supervision, and co-worker relations. However, although the different researches bring out different sets, there are still some main elements considered to be crucial factors by most of the researches. Those factors are believed to have greater impact on job satisfaction and are mainly: (1) supervisor support, (2) fringe benefits, (3) teamwork, (4) working environment and (5) training. We will explain them briefly:

According to Kottke and Sharafinski (1988), employees develop general views concerning the degree to which supervisors value their contributions and care about their well-being. As a result employees form global perceptions concerning how their work is valued by the managers in their organization.

In addition, the supervisor support plays a significant role in creating employee motivation and autonomy. The relationship between supervisor support and job satisfaction has received a great deal of attention in past research. Previous research has examined the relationships between supervisor support and job satisfaction and reported a positive relationship between both variables (Chang *et al.*, 2010). As supervisors take care to help and support their employees and are concerned about their needs, these employees will feel more satisfied (Griffin, Patterson and West, 2001). Such supervisor supportive behavior has been found to be related to employee job satisfaction.

Fringe benefit is the material and non- material incentives the company offer to its employees to commit them to the company. In other words, fringe benefits are incentives that employees receive in addition to their wages and salaries during their active job duty and in addition after retirement (OECD, 2007). Fringe benefit includes three main parts: 1) obvious benefits; 2) foregone labor benefits; 3) hidden benefits (Hayes and Gaskell, 2007). Among the three, obvious benefits is the most popular that are offered to employees by most companies. It is including social security, retirement, insurance, etc...; Foregone labor benefits can be understand as the released time, including personal days, paid maternity, parental leave, jury duty, and military service leave; and, the last one is the hidden benefits, which are extra benefits provided to employees in order to help them perform the job better or helping them with recruitment and retention employees. Hidden benefits are not stable. They vary across companies and can be modified according to the company policy and objectives.

Another factor that has a great impact on job satisfaction is teamwork. It is "organized co-operation" which can be performed simultaneously by the team (Ingram and Desombre, 1999). It is suggested that teamwork is a collaborative and shared activity that is directed towards a common goal. Effective teamwork can motivate employees and improve employee performance and self-efficacy. This increases motivation and self-efficacy through teamwork

can be a source of employee autonomy, significance, bonding with team members and satisfaction (Griffin, Patterson and West, 2001).

Another factor that has a strong impact on job satisfaction is the working environment. It includes all the factors about the job such as all the facilities for doing the job, comfortable workplace and ventilation, safety workspace, and the degree of noise. These factors influence employee job satisfaction since employees want a working environment that provides more physical comfort (Ceylan, 1998). When this is provided by the firm, employee job satisfaction increases. The relationship between working environment and job satisfaction had been proved by many researchers. It is shown that working environment is a critical factor in determining the level of employee job satisfaction (Chang *et al.*, 2010; Jun *et al.*, 2006).

Furthermore, employee training provides opportunities to employees to increase their knowledge and abilities to perform in a more efficient teamwork and achieve individual development (Jun *et al.* 2006). When workers receive self-development training, the level of their job satisfaction is higher than those without such training (Chang *et al.* 2010). Related to the importance of training, also, Herzberg (1968) found out that employee job satisfaction is influenced when they have an opportunity for advancement of individual competencies through various training programs. When employees attended to training programs, they gain self-confidence for making their jobs, they perceive career development opportunities and they think that their companies make investment in them (Jun *et al.* 2006). As result of this positive situations, employee job satisfaction increases.

Nash (1985) has extensively reviewed the nature of job satisfaction in the industrial world and found that job satisfaction is attributed not only to one factor and varies in its impact on individuals satisfaction with life because the meaning of work varies in importance from individual to individual. He also found that people who take their job as a prime interest experience high level of job satisfaction. Their job satisfaction will be further enhanced if they are doing a job where they make use of their skills. He also found that job satisfaction is an indicator of employees' motivation to come to work and it changes with age and employment cycle.

Nash (1985) also concluded that certain organizational characteristics influence job satisfaction, and one of the major factors is the intrinsic nature of the job itself. For this reason, an individual who genuinely likes the content of the job itself will be more satisfied with the job. In terms of preferences, he considers that industrial workers want a job with high pay, high security, promotional opportunities, fewer hours of work and friendly supervision.

Finally, he found that if the situation demands considerable effort to get a job (through education, experience or achievement); it is worthy if one can make a lot of money at it. But if one cannot think of an alternative, then one should be highly satisfied with the job even if it is not possible to get a big wage. He also stated in his findings that factors that influence job satisfaction differ from men to women in terms of their degree of importance. Generally, men rank security first, followed by advancement, type of work, company, pay, co-worker, supervision, benefits, and duration of work and then working condition. Whereas women rank type of work first, followed by company, security, co-workers, advancement, supervision, pay, working condition, duration of work and then benefits.

Shea, Paines and Spitz (1970) found that marital status seems to have little influence on job satisfaction. Both married and non-married women in both black and white groups expressed the same degree of satisfaction with their jobs when occupational category was controlled. Having said that, Wild (1970) studied job satisfaction and reported that job dissatisfaction was more prevalent among single workers. Research has consistently supported that married employees are more satisfied with their jobs than their unmarried co-workers (Keller 1983;

Federico & Lundquist 1976). This hypothesis can be explained by the fact that conscientious and satisfied employees are more likely to be married or that marriage changes employees' expectations of work. However, status other than single or married had rarely been studied and therefore it is not clear whether the divorced, widowed, or couples who live together without being married, have an impact on an employee's performance and satisfaction.

2. THEORETICAL REVISION OF EMPLOYEE LOYALTY

2.1. Concept of Loyalty and employee loyalty

In the literature, we can find many different opinions and different points of view on the definition of employee loyalty. Among them we can mention the followings:

"Loyalty - positive, benevolent, correct, respectful, honest attitude to the company managers and employees, compliance with existing corporate policies, rules, regulations, codes, even when disagreeing with them; This devotion in all his thoughts and endeavors" (Korostelyova, 2009). Also Harska (2010) defines loyalty as: (1) a sense of trust in relation to something specific; (2) an ability and desire to obey the requirements of the worker; (3) the desire to keep their jobs; (4) the desire to do their job well; and, also (5) a conscious abidance to the accepted rules and the corresponding demands on the other.

In the management literature, we find some references about the loyal attitude to organizations which involve employee loyalty purposes, interests, values, activities and preservation of the property of the organization. In this sense, loyal attitude can be treated as human motivation to work for the good of the organization, to protect its interests in various spheres of activity. In the early studies of loyalty, Lyman Porter and his colleagues (1979) offered his definition of loyalty within the adjusting approach, which has become very common in Western literature. The authors have identified it as a great desire to stay and work in the company, to adopt its values and goals, as well as the readiness of the worker to invest all their efforts in the interests of the organization. Related to that, more recently, Pochebut (2010) defines loyalty as a person who respects the law and is respectful and friendly to the organization in which he works.

Deyneka (2009) offers another definition of loyalty and considers it as "a commitment to the firm, emerging through effective training, identify personal interests with the success of the company and, finally, establishing the human link between the subordinate and his superior". They point out the mutual obligations of employees and employers where leadership takes care of employees and their well-being, trying to satisfy their employees' needs and desires, and the employees express their loyalty in return.

Some other authors, such as Buchanan (1974) and Kanter (1968) believe that employee loyalty is an emotional positive reaction to the company, as well as its goals and values. They also support the existence of three components of loyalty: (1) Identification that allows that the employee receives the goals and values of the organization as their own; (2) Involvement which means that the employee psychologically sinks and dissolves in their work; and finally, (3) Loyalty that means that the employee experiences love and affection for the organization.

Therefore, we can say that most of the researchers in this topic consider the level of expression of loyalty as a measure of human identification with the company and its involvement in its activities. Employee loyalty is generally related to the dedication and acceptance of the values and goals of the company. It also express the level of willingness to

show significant efforts on behalf of the company and this feeling of loyalty increases the desire to be an integral part of the organization.

Considering loyalty as a sense of emotional attachment to the company and the desire to remain a member of it, we can assume that the employee experiences: job satisfaction, which performs in the organization; care and attention on the part of the organization; and also, satisfaction from his career in the organization.

Firstly, in the study of the emotional perspectives of loyalty some researchers as Schulz (2009) consider the existence of affective and regulatory loyalty. Affective loyalty is a form of psychological attachment to the organization. Therefore, people experiencing the desire to continue working in their organization because of the positive emotions that they experience at work, have a high degree of affective loyalty. This idea makes experts note that there is a direct link between affective loyalty and productivity of labor. However, to create this kind of loyalty it is necessary to promote a favorable psychological climate through the development of ethical and transformational leadership in the organization that establish a positive corporate culture. In that sense Schulz (2007) noted the close relationship of affective loyalty to the manifestation of support from the organization, and therefore, the management actions focused on taking care of people, will be able to raise this kind of loyalty.

Secondly, regulatory loyalty differs from the affective as it reflects a sense of duty or obligation to work in the organization, but not because of emotional attachment. It is the type of loyalty that the employees develop as a result of pressure on their work. Thus, employees, who have regulatory loyalty, attach great importance to the fact what their colleagues and employers can think about their work and possible leaving to the new organization. Regulatory loyalty can also arise when an employee feels obliged to compensate the costs to the employers, which are connected with his education or training session of any of his specific skills.

In addition, the employees' loyalty to the organization is based on how a person perceives various situations of his past experience as well as his attitudes and values. As a result, the justice and care about their staff in the organization also affect the formation of loyalty and is related to the increase of employee's motivation. In the next Table 2 different definitions about employee loyalty in the last twenty years are illustrated:

Table 2. Definitions of employee loyalty

Authors	Definition of employee loyalty
Soloveitchik (2010)	Employee loyalty determines its commitment to the organization, the approval of its objectives, means and ways of achieving them, open their labor motives for the organization. Employee loyalty assumes favorable, correct and respectful attitude to the company, to the leadership and colleagues, compliance with existing regulations, rules and regulations.
Chumarin (2010)	Employee loyalty as an employee, voluntarily following legal rules and processes of the organization.
Becker (2009)	Workers put in organizing the effort, time, establish friendships with colleagues and learn the skills that reduce the attractiveness of the transition to another job. This occurs due to the fact that it is

	<p>necessary to exert more effort to achieve this condition, which is currently present in this work and which do not require additional effort. Loyalty appears when these "investments" are valued by employees as requiring lower cost in comparison with the work to move to another company.</p> <p>For example, the fact that a person has personal relationships with colleagues, supplementary pension in this organization, for him is more important than the more favorable conditions of work in other organizations, which require additional expenses such as training.</p>
Niehoff, Moremann, Blakely & Fuller (2001)	Loyalty describes an employee's faithfulness to an organization, but may not translate into an emotional attachment to the organization. Loyalty is about demonstrating pride in an organization and being willing to defend the organization against criticism. Loyalty also includes not complaining about the organization
Eskildsen & Nussler (2000)	Employee loyalty measures to what degree an employee takes personal responsibility for their work, and how likely they are to look for another job.
Johnston, Parasuraman, Futrell & Black (1990)	Employee loyalty is seen as a key issue because of its relationship with negative behaviors such as absenteeism and turnover; an organization may not mind losing 'poor' employees but losing 'good or great' employees is of principal concern.
Harris and Brannick (1999)	They focus on the benefits of employee loyalty for the employer in long-term employment which might be associated with complacency, a feeling that there is no need to strive for excellence, and ultimately dissatisfaction. However the benefits incurred by employee loyalty should outweigh the costs. Clearly employee loyalty ensures that overall recruitment and training costs will be lower due to the retention of employees.
Israeli & Barkan (2003)	Employees, who are satisfied work hard to become proficient in their job roles, increase their loyalty to the organization and improve their customer service.
Kippen and Green (1996)	Employee loyalty, in particular respect for the boss, is more important than job performance. Assuming that employee loyalty is linked closely to the survival and the success of companies, employers are recognizing its importance to their organizations.
Heskett <i>et al.</i> , (1994)	Employee loyalty affects the customer's perception of service quality. Loyal employees who are satisfied with their job demonstrate their loyalty to the employing organization by working hard and being committed to delivering services with a high level of quality to customers.

Loveman (1998)	Employee loyalty is positively correlated with service quality
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Source: Own Elaboration

Following the results of the most important empirical studies about employee loyalty, we summarize in Table 3 the main conclusions and results:

Table 3. Results

Authors	Results supported
Costen & John Salazar (2011)	<p>The results confirmed by the researchers in this study reveal that the opportunity to develop new skills and the opportunity for advancement are important determinants of employee loyalty. The opportunity to develop new skills accounted for over 38% of the variance in employee loyalty. A company's training programs are an indicator of the organization's willingness to invest in the employee, and its level of commitment to the employee. This organizational commitment could inspire employee loyalty.</p>
Ineson & Berechet (2011)	<p>The main dimensions associated with employee loyalty in the literature include: salary, benefits, interpersonal relationships, personal incentives and individual characteristics, including gender, age, job tenure and position. One prior expectation was that the study would reveal complexity surrounding employee loyalty.</p> <p>As the loyal employees identified there is a variety of factors that determine their loyalty to their companies; it is unlikely that a simple model will ensure employee loyalty throughout organizations. Consequently, the implications of this research for industry need to be considered in adapted to the organizations, and their workforce.</p> <p>The results does suggest that job position has an effect on attitudes towards employee loyalty indicating that hospitality employee loyalty issues might be addressed differently according to employees hierarchical position.</p>
Yee, Yeung & Cheng (2009)	<p>The results give strong support that employee loyalty is an important determinant of firm profitability.</p> <p>The findings are consistent with the popular S-PC concept (the service-profit chain notion that highlights the importance of employee attributes to deliver high levels of service quality to satisfy customers in order to enhance business performance). They support that the key driver of firm performance is employee attributes, such as employee loyalty, in service organizations.</p> <p>According to the social exchange theory, service employees who are loyal to their employing organizations will be committed to delivering services with higher levels of quality to customers.</p> <p>It seems logical to consider that customer contact time is a</p>

	<p>moderator on the relationship between employee loyalty and service quality. As the duration of the service encounter in a transaction increases, the intimacy between the employee and the customer may also be enhanced. In this case, a loyal employee has more opportunities to understand and fulfill the specific needs of his/her customers, leading to a greater impact of employee loyalty on service quality. Surprisingly, the result of the sampled firms in this study did not support this argument. A possible cause was homogeneity, in terms of the overall customer contact level, of the sampled firms of this study.</p>
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Source: Own Elaboration

Summarizing all the above, and taking into account the diversity of opinion on the concept of "employee loyalty", we propose the following global definition of employee loyalty:

Employee loyalty is a characteristic of the staff, which determines its friendly, sincere and respectful attitude to management and to other employees; commitment to the organization, the approval of its objectives, means and ways of achieving them, as well as compliance with rules, regulations and obligations in respect of the company, its management and employees.

Assuming that employee loyalty is linked closely to the survival and success of the companies, employers are recognizing its importance to their organizations.

However the benefits incurred by employee loyalty should outweigh the costs. Clearly employee loyalty ensures that overall recruitment and training costs will be lower due to the retention of employees, but research have demonstrated that employee loyalty has many other 'hidden' benefits like the long term profitability and the success for an organization.

Recently, some authors consider the issue of whether personal characteristics that are outside the employer's control have an influence on employee loyalty, namely gender, age and the educational differences. Related to gender differences, the rise in female participation in the workforce and the disparities that exist between males and females at work have driven the performance of some analysis. Their results support the fact that female managers are much more concerned about the problem of employee loyalty than male leaders. After all, the woman is responsible for the others, places high demands on those around her, and on whom places the welfare and prosperity of its business.

Female managers tend to apply the measures of moral and psychological nature, not only have an administrative influence. Women, in contrast to men, try to resort to diplomacy, rather than suppress their subordinates' aggression, and focus on their experience, knowledge and charisma to retain their employees. In addition, female managers have demonstrated to have higher levels of organizational commitment and loyalty respectively than males. Most of men need to achieve high positions in order to consider themselves successful whereas most of the women can express a high degree of loyalty although they can have low wages when it is necessary. By difference, male leaders are more inclined to risk at a young age. When becoming more mature, men managers increase their demands about staff loyalty and in the majority of cases their subordinates are more loyal.

However, it is difficult to confirm the existence of a link between the employees' loyalty to the organization and their education. There are some studies that confirm or not confirm such a link. An educated employee, who knows several foreign languages, versed in the art and

music is always less loyal than his opposite. Therefore, there is an inverse relationship between the level of education of employees and the degree of his loyalty to the manager.

2.2 Methods of stimulation for achieving employee loyalty

Many authors support the idea that employee loyalty can be achieved and maintained by using two main methods of stimulation: the tangible and the intangible methods of stimulation.

Tangible forms of incentives may include well-built and sometimes individual system of salaries and bonuses for employees. In that sense, if accrue salary not tied to concrete results and the efforts being made by the employee, the employees may neglect to perform the duties and reduce their quality of work.

In terms of intangible constructs close affiliations with work colleagues and supervisors encourage employee loyalty (Becker, Billings, Eveleth & Gilbert 1996; Cooper, 1997; Johnson & Indvik, 1999; George, 2000; Chen, 2001). Without doubt tangibles such as remuneration are associated strongly with loyalty and flexible and varied benefits are emphasized (Koss-Feder, 1998; Laabs, 1998). Limited evidence suggests that formal mentoring and training are likely to lead to employee loyalty and opportunities for personal growth have also been mentioned (Talley, 1998). Recognition that current work practices have wide reaching implications regarding personal and family life has led to work-life balance being the most important considerations in inspiring employee loyalty (Cleveland *et al.*, 2007). In the table below, we summarize a series of possible incentives that employers may use to encourage employee loyalty. The intangible forms of incentives include:

Table 4. Forms of intangible incentives

Intangible Forms	Characteristics
Promoting the career ladder	Very often, promotion is an opportunity to increase the loyalty of the employee to the organization. The efforts that the employee spent reaching this position will disappear if he goes to another organization, where he will need to start promoting a lower position
Operating environment	This concept includes comfort, convenience of the workplace, as well as relations with colleagues. Comfortable workplace and environment have a positive impact on the employee and the efficiency of its operations
Trust of the employer	Almost every employee wants hearing approval from the manager or feel that their trust in him.
Meeting with management	Many employees like to feel implicated with people who occupy a high position in the organization
A sense of meaning in a position held	Any employee, regardless of his or her position in the organization, wants to know that their performance is important for the company

Support	Employees need to know that there is a person to whom they can turn for advice, so they are not alone
Pride in the company of the employer	A sense of pride in their work and the company, in which the employee works, raises its own importance as a professional
The sense of caring on their employees by company	The absence of unjustified overtime, leaving no time for private life, the presence of various social packages (aimed at taking care of the health of the employee) as well as various compensation packages, including, for example, payment of meals, tickets, holidays, and sickness, providing car insurance and health care and other services.
The feeling overall, of a cohesive team	This may contribute to a variety of corporate events, joint birthday celebrations, New Year and other important dates, which form the common memories of pleasant moments and the opportunity to get to know better their colleagues.

Source: Indicators of motivation in forming of staff loyalty (Moroz, 2010)

Finally, as illustrated in this chapter we can conclude that in the last decade, there are many scientific articles and publications focused on the organization of employee loyalty. Moreover, almost all authors stress that an increase in employee loyalty decreases the probability of leaving employee from the company.

3. THE IMPACT OF EMPLOYEE SATISFACTION ON EMPLOYEE LOYALTY

3.1 Variables that affect employee satisfaction and employee loyalty

Several empirical studies have found that employee satisfaction is a strong determinant of employee loyalty (e.g. Mak & Sockel, 2001; Martensen & Gronholdt, 2001). Traditionally, employee loyalty means the ability to stay with the organization in long term. It is based on the premise that employee loyalty could be measured by the amount of time one person works for the company or organization (Silvestro, 2002).

However, employee loyalty cannot only be measured by the time employees are working for the same company. It also needs to include the amount of commitment employees makes when they are on the job (Phaneuf, 2013). According to Reichheld (2003), loyalty is the willingness of an employee to work for the organization to strengthen a relationship. Thus, loyalty is characterized by the intention to engage with the organization in the long term, which plays a positive role in the retention of members in the organization. In the last decades, the common denominators for the discussion about employee loyalty agree that: (1) a loyal employee is less likely to look for work elsewhere – expects to stay with the company both in the short and long-term; (2) a loyal employee would recommend working for the company to others – proud to be working for the company; (3) is interested in doing her/his best, and make an extra effort when required – this relates to the individual employee's performance and contribution to the company value; (4) develops strong relations to the company – temporary dissatisfaction with the job is accepted; (5) is interested in improving her/his own performance – offers suggestions for improvement, interested in participating in

various training and educational activities, etc.; and finally, (6) a loyal employee has an attitude and behavior that match the company's values, visions and goals.

In line with the general view of employee loyalty and considering the above-mentioned perception of loyalty, it is reasonable to take things a step further and expect that the loyal employee is equally interested in contributing to the company value. The employees' perceived contribution to the company value is a significant element of the model of employee loyalty. However, while job satisfaction mainly focuses on the attitude of employee towards his/her current job, employee loyalty explores a wider framework, which is employee's attitude towards the whole organization (Chen, 2006).

Related to Job satisfaction, Garcia-Bernal *et al.* (2005) consider that the last state of psychological process is called satisfaction. Then a general definition of job satisfaction which may be accepted is: "The feelings of the employees and attitudes in relation with job components such as the environment where they work, work place conditions, rewards such as salary and bonuses and job itself" (Glisson and Durick, 1988; Kim *et al.*, 2005).

According to Chang *et al.* (2010), employee job satisfaction is an antecedent to employee loyalty. Some other studies such as Jun *et al.* (2006) and Arsic *et al.* (2002) also consistently report a strong relationship between employee loyalty and employee job satisfaction. Empirical evidence also suggests a positive relationship between employee job satisfaction and the loyalty of employees (Fletcher and Williams, 1996). Therefore, employees who feel satisfied with their jobs will most likely be more loyal to the organization than dissatisfied employees (Kim *et al.*, 2005). Once the employee job satisfaction increases, the degree of organizational loyalty of the employee also raises higher. On the other side, once the employee job satisfaction decreases, it will lead to the decrease of employee loyalty, employee morale and the increase of job turnover. Consequently, low job satisfaction could also cause employees to recede from their jobs, seek new jobs, or change their current jobs and careers.

According to Walker (2005), the relationship between employee job satisfaction and employee loyalty would be positive if the organization provides different opportunities such as learn, growth and a clear established career path. There is a strong correlation between employee satisfaction and employee loyalty based on these variables, recognition and rewards, working conditions and the relationship with the supervisor teamwork (Fosam *et al.*, 1998). Also there is a significant relationship between job satisfaction and job loyalty on the basis of these values: honesty, trust and respect for others (according to McCusker&Wolfman, 1998; McGuiness, 1998; Selnow & Gibert, 1997 and Vardi *et al.*, 1989).

In addition, a lower level of intention to leave among satisfied employees is driven by the fact that satisfied employees are more likely to perceive greater benefits in staying in their organizations, compared with dissatisfied employees. Therefore, satisfied employees tend to show higher levels of loyalty to their companies and are unlikely to leave their jobs (Guimaraes, 1997).

Figure 1 shows the conceptual model of employee loyalty. It is developed partly on the basis of the theories within the area and partly on the basis of experiences from practice: Eskildsen & Dahlgaard, (2000); Eskildsen & Nussler, (2000); Graversen, (1992); Hackman & Oldham, (1980); Herzberg, (1987); Herzberg *et al.*, (1974); Martensen *et al.*, (2000); McGregor, (1960); Schein, (1965); Spector, (1997); Voyles, (1999).

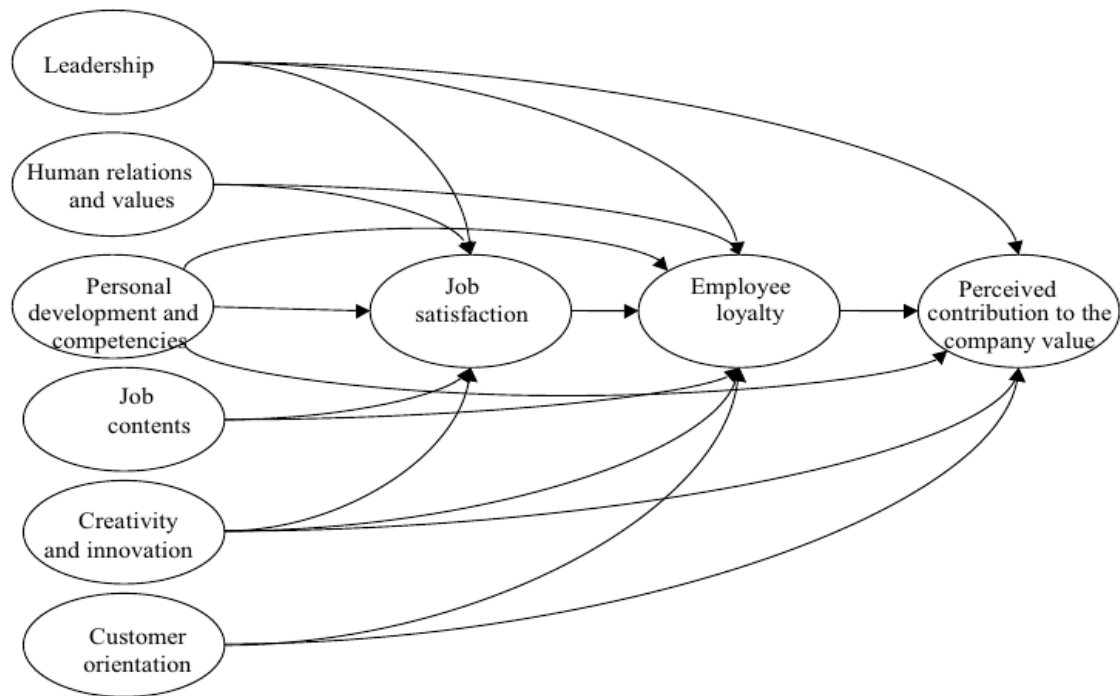


Figure 1. The model of employee loyalty

Source: Martensen & Grønholdt (2006)

The three variables placed at the right side of Figure 1 are the results areas: (a) Job satisfaction; (b) Employee loyalty; (c) Perceived contribution to the company value. The variables that are determinant for employee job satisfaction and employee loyalty are: (1) Leadership; (2) Human relations and values; (3) Personal development and competencies; (4) Job contents; (5) Creativity and innovation; (6) Customer orientation.

3.2 Determinant variables for employee job satisfaction and employee loyalty.

The arrows in the model show the expected relationships between the variables supported by theoretical and empirical studies discussed below. Thus, the arrows show how the employees' loyalty and contribution to the company value are produced.

3.2.1 Leadership

First of all, there is no doubt of the importance of leadership as quality and responsibility begin with the top management of the company, and are then spread to the rest of the organization. The tasks of the top management are primarily aimed towards the establishment and dissemination of company policies and strategies. The top management needs to develop company visions, establish long-term goals and use this platform to formulate strategies and plans for the short- and medium-term. Related to that, visions, goals and strategies will only have the expected effect if all employees have a clear understanding of where the company is headed and agree that it is the right direction. Therefore, one of the management's great challenges is to communicate this direction to the employees and motivate them to follow it. Some studies have shown a significant, positive effect on employee loyalty within those companies that provide their employees with adequate information and explanations for future company policies (Greenberg, 1994; Konovsky & Cropanzano, 1991).

The above-mentioned views have been confirmed in several studies, e.g. Reichers (1986), Harris (1997) and Stum (1998), who demonstrate that the development and communication of

a company's vision and direction, in a format that is both motivating and stimulating, has a significant effect on the commitment and loyalty of the employees. One of the arguments for this is that employees want to believe and have confidence about their company's future.

Also knowledge, creativity and innovation as a natural part of the company culture and value system need to be firmly rooted in the top management. The variable leadership has a short-term as well as a more long-term effect. Thus, the daily leadership influences both job satisfaction and employee loyalty. If an employee does not feel comfortable and is not satisfied with the way things are managed on a day-to-day basis, the likelihood of the employee remaining loyal to the company is small. Thus, a good leader supports and encourages both the individual and the team. With the ability to 'lead the way', the basis for achieving a strong and successful business is present.

Based on literature studies (e.g. Dahlgard & Kristensen, 1997; Dahlgard *et al.*, 1995a., 1997b., 1998c.; Deming, 1993; Dubrin, 1998, Farkas & Wetlaufer, 1996; Kuczmarski, 1993) a leader must: (1) be a role model, in other words, the leader must demonstrate interest, commitment and willingness to participate in the department's activities. The best way to demonstrate this is to 'walk the talk', i.e. through action rather than words; (2) be charismatic in order to get the participation and commitment of everybody. Leaders themselves believe in the company's visions, strategies and plans, and that it is necessary for everybody to participate to create a successful company (Selnow & Gilbert, 1997); (3) create an environment based on trust and in which the employees are appreciated. A leader must also provide advice and support, trust in her/his employees and believe that they will do their best, encourage them to be creative and open to new ideas and initiatives, and make it clear that mistakes will occur and that these are part of a learning process; (4) act as a coach, training and guiding the employees. A leader who acts as a coach to her/his employees can help improve their performance; (5) motivate and stimulate the intellect of the employees. The leaders also need to be able and willing to follow up on the suggestions and ideas of her/his employees and take them seriously. The employees should feel that their contribution is important to the company. Allen and Meyer (1990) and Lee (1992) have found a positive correlation between employee loyalty and leaders' commitment and openness to new ideas from employees. Therefore, it is important to have procedures that make it possible to quickly register, react to and possibly implement the employees' suggestions; (6) be professional and competent. It is essential that adequate, relevant and accurate communication takes place.

In addition, the leaders' expectations to the employees should also be communicated clearly to everybody. Companies that do not do this often find that the employees make mistakes, do not live up to requirements, perform tasks that do not add value to the company, etc. The leader's expectations of the individual employee should be prioritized to the extent that this communication also includes an expectation of growth and development. Ongoing feedback can be ensured by follow-up procedures, i.e. regular performance feedback and development conversations with the employees.

3.2.2. Human relations and values are the second variable that influences both employee job satisfaction and employee loyalty.

Elements within the variable 'human relations and values' affect employees' every-day experience of their jobs and the greater the value of the every-day human interaction is, the greater the job satisfaction will be. This condition also significantly affects employee loyalty because good relations between colleagues are essential if the employee will stay in the company. Also s/he talks about the company in positive terms and recommend it to others and then s/he will be interested in making an extra effort.

Among other things, a good working environment is characterized by basic human values such as honesty, trust, respect for others, etc., which are naturally present among employees. The importance of these basic values has been emphasized by several authors as essential for employee loyalty as well as job satisfaction (McCusker & Wolfman, 1998; McGuinness, 1998; Selnow & Gibert, 1997; Vardi *et al.*, 1989). In their daily contact and communication with employees, leaders should thus clearly demonstrate the importance of these basic values.

The basic human values – core competencies – can be divided into emotional and intellectual competencies. First, the emotional competencies relate to the human abilities that are focused on having good relationships with other people and being able to communicate satisfactorily with them. Mutual respect and a greater understanding of each other's differences can help ensure an open and constructive criticism. This also makes it possible for the individual employee to improve her/his way of working as well as the group's way of working. Secondly, intellectual competencies relate to those human abilities that involve argumentation, rationalization, common sense decision skills, analytical and assessment skills, etc..., in other words, abilities to improve their work.

Graversen (1992) found that employees' well-being at work is controlled by how they are treated by their colleagues to a large degree. In a poor social working environment, where the employee is isolated, harassed or bad-mouthed by colleagues, this can be a significant source of stress. Talking to colleagues and getting help from them can reduce the level of stress and even turn a negative situation into a positive experience, which may even end up improving the cooperation and social relations.

3.2.3. Personal development and competencies are the third variable that influences job satisfaction and employee loyalty.

Development of competencies is related to the individual employee's possibility of personal development and self-realization, and is viewed as a very significant element by employees. The greater the possibilities of developing competencies and self-realization are, the greater the experience of job satisfaction and loyalty will be among the employees. Related to that, Mathieu and Zajac (1990) found that employees who perceive themselves as being very competent were significantly more committed and loyal than employees who perceived themselves as being less competent. This condition is also mentioned by Graversen (1992). Consequently, to a large degree, the point is to create a feeling of safety and to reduce the fear of failure. Fear leads to inefficiency and poor performance, and also leads a situation always to loose rather than a rewarding win situation. Nobody can perform at their best unless they feel secure – this can be accomplished by making sure that the employees have the necessary and relevant knowledge in relation to their jobs – knowledge that can be obtained through training and education. If an employee does not have the necessary skills and knowledge to do her/his job, s/he may feel inadequate and this will increase pressure and produce high levels of stress as a result of the job (Kondo & Dahlgaard, 1994).

Nevertheless, most people have an inner need for self-realization and personal development. An employee should therefore be given the opportunity to improve and develop her/his skills and abilities in her/his job. Several studies McCusker & Wolfman (1998), Stum (1998) and Talley (1998) confirm this point of view and further emphasize the significant effect of training and education on job satisfaction, commitment and loyalty.

The development of competencies and knowledge also affords better possibilities of promotion and career prospects. Maslow (1954) and Herzberg *et al.* (1974) mention promotion in relation to the need for self-realization and as a motivational factor. Based on this discussion, we believe that the possibility of promotion and good career prospects have a direct effect on employee loyalty as well as job satisfaction.

3.2.4. **Job contents** is another variable that have an impact on employee satisfaction and employee loyalty.

Hackman and Oldham's (1980) Work Design Model is suitable for describing how a company may improve both the intrinsically motivation and job satisfaction of employees. The authors assume that the core job characteristics are: (1) skill variety, task identify, skill significance, autonomy and feedback from job influence the employee's critical psychological stages, namely; (2) experienced meaningfulness of the work, experienced responsibility for outcomes of the work, and knowledge of the actual results of the work activities.

Variation of work requires different skills and talents to be present with the employee. For psychological reasons, a job that requires different personal competencies will be perceived as more meaningful by most people. Also the identification and unity of a task is a determining factor for satisfaction. An employee who takes part in a single sub process is not likely to be involved in the whole process, but it is important that the employee knows how her/his work affects the company results. In addition, if possible, the individual employee should be allowed to plan and execute the job by her/himself. The leaders should communicate visions and goals, and then leave it up to the employees to decide on the methods and processes they want to use to achieve them (Dahlgaard, 1998; Graversen, 1992; Hackman & Oldham, 1980). For this reason delegating responsibility and authority to employees will improve their motivation, attitude and commitment to the job. Employees who are more or less self-governed and responsible for their own actions and decisions will experience confidence and feel appreciated, and will be better able to see the meaning in what they do.

It is, however, important that all employees know 'the rules' and the definition of acceptable behavior in the company. Otherwise empowerment and autonomic working conditions will not work in practice. Some studies (Mathieu & Zajac, 1990) showed a significantly lower level of employee loyalty among employees who are unsure of what is expected from them or who have not quite understood 'the rules' in the company. It is important to experience a certain amount of joy and satisfaction in connection with the job and to be adequately challenged – the possibility to use different abilities and skills, as well as develop professionally and personally will have a positive influence on job satisfaction and loyalty (Deming, 1993).

Although the employee is looking for challenges, her/his knowledge and skills must match the job, otherwise there is a risk that s/he will not thrive and that her/his efforts will be unsatisfactory. This may be evident from a feeling of inadequacy on the part of the employee, increasing pressure and levels of stress on the job. This will not be motivating for the employee and can lead to absence. The same is true for an employee who is over-qualified for the job and who will therefore soon find the work as boring and little challenging, leading to a decrease in motivation.

3.2.5. **Creativity and innovation**

A company's ability to be creative and innovative is one of the most vital competencies since it reflects the company's ability to generate future earnings. The innovations that the company successfully develops today will be the foundation of tomorrow's earnings. Among the core tasks in the future, for leaders as well as employees, we can point out: (1) Integrate creativity and learning into company processes and (2) Motivate and manage knowledge, learning and creativity among employees.

The employees should also be given the opportunity to participate in all aspects of project development. When an employee finishes a project, s/he should be given enough time to learn

from her/his experiences. There should be enough time to gather the relevant knowledge, so the company can build on this knowledge in the future.

Also time is an important factor here. Creativity and innovation must continually fight with the day-to-day running of the company for time and resources. Employees need time to come up with new ideas. The employees should be encouraged to break with traditional way of thinking to create creativity and innovation. The company management should thus clearly communicate that time and resources can and shall be dedicated to creativity and innovation.

3.2.6. Customer orientation

It is seldom enough for companies to have employees with the right professional competencies. To deliver excellent customer service requires in addition employees with the presence of emotional competencies; the customer should experience attention, openness and commitment from the employee. Positive relations between the customer and employee help create customer satisfaction and loyalty. Through positive relations, the employee will also be satisfied beyond "just doing her/his job". Understanding and practicing customer orientation thus help create satisfaction and loyalty with the employee. This is not only true for those employees who specifically deal with customer service in practice. It is valuable for all employees to see the company and the individual processes from a customer point of view and feel part of the creation of satisfied and loyal customers. It can be motivating in itself to understand that this fact affects the company's business results in a positive way and thus also employee conditions.

3.2.7. Job satisfaction

Job satisfaction results from the interaction between the experience of the job and the expectations you have. Obviously, the experience of the job is important, but the expectations also play a role for job satisfaction. In relation to living up to employee expectations, an employee usually starts a job with certain expectations of her/his future employment. Wanous (1992) has studied the relationship between living up to expectations and employee loyalty.

According to Hackman & Oldham's (1980) a job that is of great importance for other people's needs or situation within or outside the organization will be perceived as more important and the perceived meaning of the job will be greater. If the employee feels that her/his work and subsequent results are important, then it is likely to result in greater intrinsic motivation and thus greater job satisfaction.

As a result, through the achievement of job satisfaction and employee loyalty, the above-mentioned determinants will also affect the company value.

3.3. Trust, employee satisfaction and loyalty

In the last decades, trust has become a major research area within the field of organizational studies (Dirks & Ferrin, 2002; Mayer et al., 1995; McAllister, 1995; Rousseau *et al.*, 1998). Trust has been studied in a wide variety of disciplines (organization science, sociology and psychology) and has focused on the individual level, group level, firm level and inter-firm level (Rousseau *et al.*, 1998).

Trust enables cooperative behavior, promotes network-based forms of organization, reduces conflicts, decreases transaction costs, facilitates rapid formulation of ad hoc work groups and promotes effective responses to crises (Rousseau *et al.*, 1998).

There are three main facets of trust (Whitener *et al.*, 1998): first, trust in another person reflects a person's expectation or belief that the exchange partner will act benevolently;

secondly, trust involves the willingness to be vulnerable and risk that the other person may not fulfill the expectations; and thirdly, trust involves a certain level of dependency which means that a person is affected by the actions of others. Hence, in workplace relationships, employees will feel safer and more positive about their managers and peers when they believe that their leaders and peers are trustworthy. In contrast, low levels of trust lead to psychologically distressing situations, as leaders or peers may have power over important aspects of one's job (Dirks & Ferrin, 2002). As a consequence, trust should have a strong and direct effect on employee satisfaction.

As an example, in order to prove that the job satisfaction of employees has an impact on employee loyalty, we have selected an empirical work that measured trust in management and trust in peers, employee satisfaction and loyalty of employees of an Austrian company elaborated by Matzler and Renzl in 2006. Employee satisfaction is considered to be one of the most important drivers of quality, customer satisfaction and productivity. In this study, Matzler and Renzl (2006) investigate an important driver of employee satisfaction. They argue that interpersonal trust (trust in management and trust in peers) strongly influences employee satisfaction and, as a consequence it has some effects on the loyalty of the employees of an Austrian company in the energy sector. The results of the statistical analysis using structural equation modeling with Partial Least Squares (PLS) confirm a strong link between trust, employee satisfaction and employee loyalty.

As the architecture of modern organizations has strongly moved towards team-based organizations in the last years – especially in Total Quality Management (Robbins, 2003) it is argued that not only trust in management but also trust in peers plays a major role in the formation of employee satisfaction. The three facets of trust mentioned above are also relevant for work teams. Trust in a team member reflects the expectation that the team member will act benevolently, it involves the willingness to be vulnerable and risk that the other team member may not fulfill the expectations and it involves dependency, as a trustee will be affected by the team member's behavior. Therefore Matzler & Renzl (2006) develop three hypotheses regarding the trust–satisfaction–loyalty relationship:

H1: Trust in management is positively related to employee satisfaction.

H2: Trust in peers is positively related to employee satisfaction.

H3: Employee satisfaction is positively related to employee loyalty.

The relationships between these constructs (trust in management, trust in peers, employee satisfaction and employee loyalty) are shown in Figure 2 (Matzler and Renzl, 2006). In the next section we describe the empirical study and the results of testing these hypotheses.

To test the relationship between trust, employee satisfaction and loyalty, they collected data from an Austrian company in the utility sector. A standardized self-administered questionnaire was sent to 665 employees of that company. All the employees selected for this study were part of project teams. The employees received an e-mail from the research team explaining the scope of the study. At the end, 131 questionnaires were returned within one week, this corresponds to a return rate of approximately 20%.

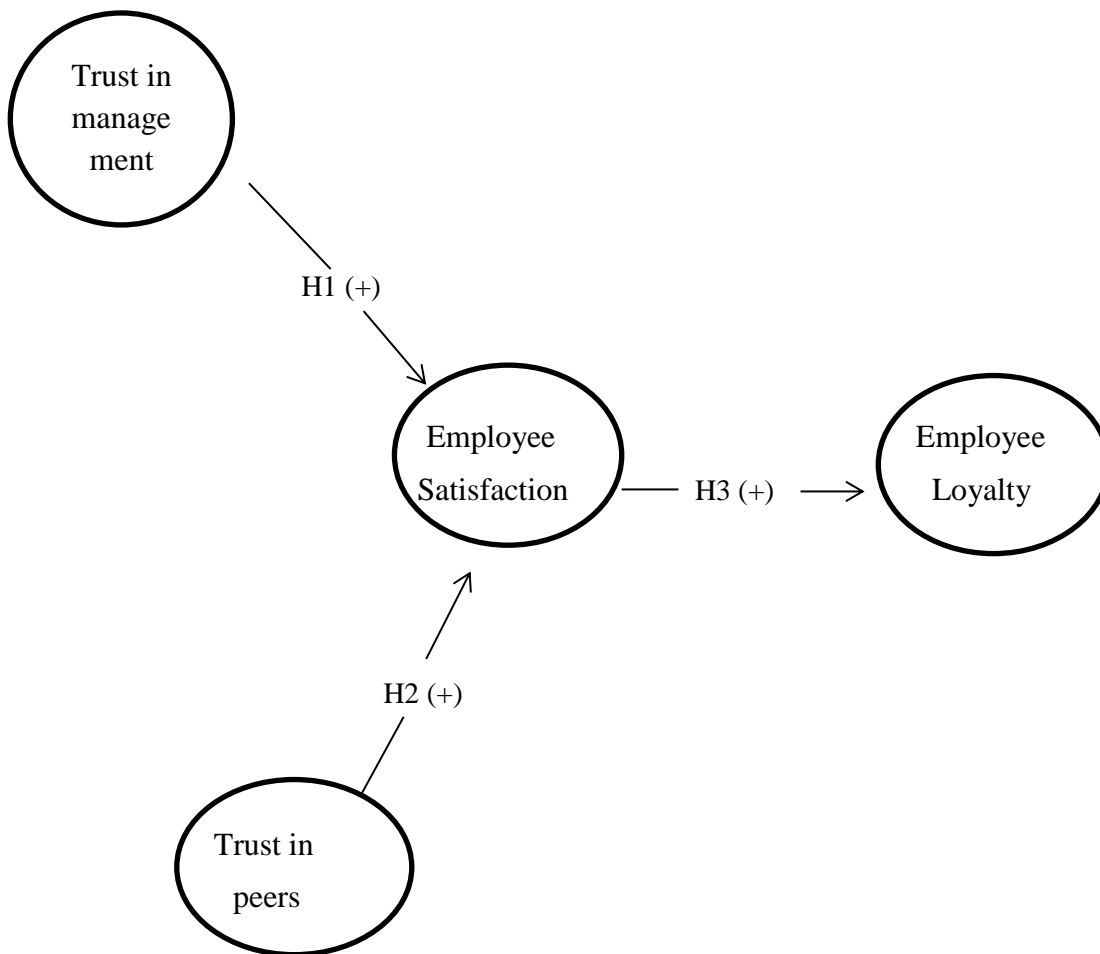


Figure 2. Conceptual Model

Source: Matzler and Renzl (2006)

All constructs were measured using existing and tested scales. Trust in management and trust in colleagues were measured using Cook & Wall's (1980) interpersonal trust at work scale. This scale was chosen for three reasons: first, it was developed in order to measure trust in management and trust in colleagues, and it was therefore most appropriate for the purpose of their study; second, it was one of the first scales, and is still the most widely used, for measuring interpersonal trust; and third, this scale has been extensively tested and shows good psychometric properties. From the questionnaire, the subscales capturing faith in intentions of peers and faith in intentions of management were chosen, measuring the items on a five-point Likert scale (from 'strong approval' to 'strong disapproval'). The scales are shown in the end in appendix.

Reliability and validity were tested by looking at: (1) the reliability of individual items; and (2) the convergent validity of the measures associated with individual constructs. The figures for reliability of individual items are reported in Figure 3.

Figure 3 reports the path coefficients, their significance level and the R² values. The results of the bootstrapping resampling technique (500 runs), which is used in PLS to determine the significance of the paths, show that all the paths are significant. In this figure we can see that

trust in peers (0.42) has a much stronger impact on employee satisfaction (0.28) and therefore, employee satisfaction has impact on employee loyalty (0.71).

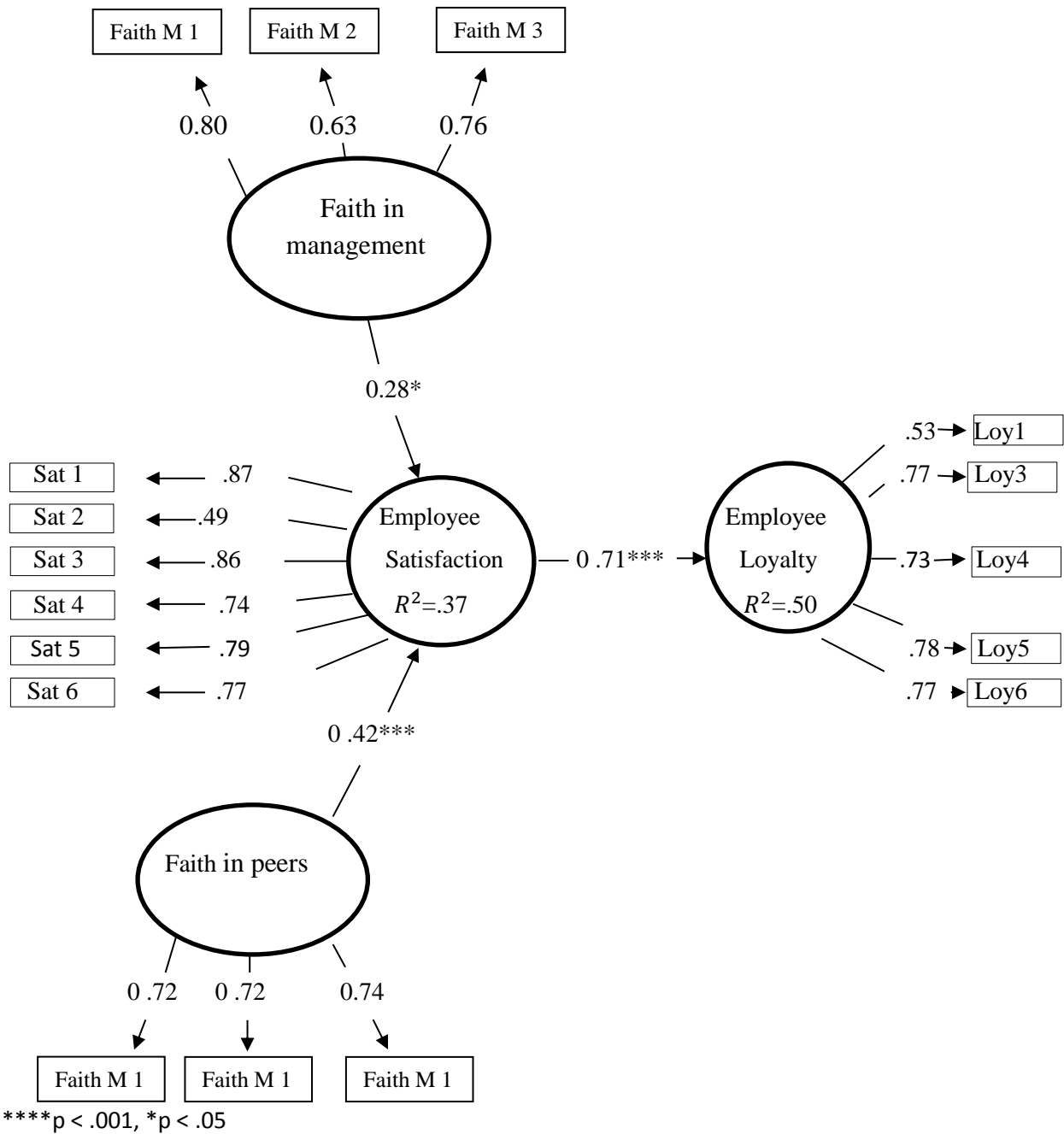


Figure 3. The relationship between trust, employee satisfaction and loyalty

Source: Matzler and Renzl (2006)

The main results Matzler and Renzl (2006) have shown that trust in peers and trust in management are strong predictors of employee satisfaction, and employee satisfaction, in turn, influences employee loyalty. These hypotheses have been supported by Table 5.

Table 5. Structural relationships of the model

Linkages in the model	Hypotheses	Sign	Parameter	Significance	Conclusion
Trust in management → Employee Satisfaction	H1	+	0.28	p < 0.05	Supported
Trust in peers → Employee Satisfaction	H2	+	0.42	p < 0.001	Supported
Employee Satisfaction → Employee Loyalty	H3	+	0.71	p < 0.001	Supported

Source: Matzler & Renzl (2006)

The findings of Matzler and Renzl (2006) study have also important implications for management. They mention that, in an effort to increase employee satisfaction and employee loyalty, many companies monitor employee satisfaction systematically and continuously using standardized questionnaires that capture many facets of satisfaction (e.g. Matzler *et al.*, 2004). They also consider that in order to increase the predictive power of such measures, questions on trust should be included. Then, measures should be taken to increase employee's trust in peers and in management.

In conclusion of what has been said above it can be emphasized, that the employee job satisfaction has a direct and positive impact on employee loyalty. In words of the author (Kim *et al.*, 2005) "employees who are satisfied with their jobs are more loyal to the organization in which they work". When increasing employee satisfaction, therefore the level of loyalty increases.

4. APPLICATION OF THE STUDIES OF EMPLOYEE SATISFACTION AND EMPLOYEE LOYALTY ON THE HOSPITALITY SECTOR

4.1. The findings in employee job satisfaction for hospitality sector

In this chapter we are going to summarize the main results of empirical studies that have been developed in the hospitality sector.

One of the studies is the one of Yang (2009) which has the main purpose to explore: (1) the effect of role stress, burnout, socialization, and work autonomy on job satisfaction; and (2) the situational relationships among job satisfaction, individual commitment to organizations, absenteeism, and employee turnover intentions. For developing this study, he obtained data from a sample of 671 respondents drawn from 11 international tourist hotels in Taiwan and analyzed with the LISREL program. This program was used to explore the relationships among the constructs within the structural model. The author concluded that this study will contribute to a growing body of research on job satisfaction and will also demonstrate the importance of considering not only the effects of job characteristics on job satisfaction, but also the effects of job satisfaction on organizational commitment, absenteeism, and turnover intention.

Accordingly, Yang (2009) proposed the following hypotheses: (1) Role ambiguity negatively affects job satisfaction; (2) Role conflict negatively affects job satisfaction; (3) Burnout negatively affects job satisfaction; (4) Socialization positively affects job satisfaction; (5) Work autonomy positively affects job satisfaction; (6) Job satisfaction positively influences affective commitment; (7) Job satisfaction positively influences continuance commitment; (8) Affective commitment negatively influences absenteeism; (9) Continuance commitment negatively influences absenteeism; (10) Job satisfaction negatively influences absenteeism; (11) Affective commitment negatively influences turnover intention; (12) Continuance commitment negatively influences turnover intention; (13) Job satisfaction negatively influences turnover intention; (14) Absenteeism is positively related to turnover intention. This all hypotheses described below in Figure 4 (Jen-Te Yang, 2009).

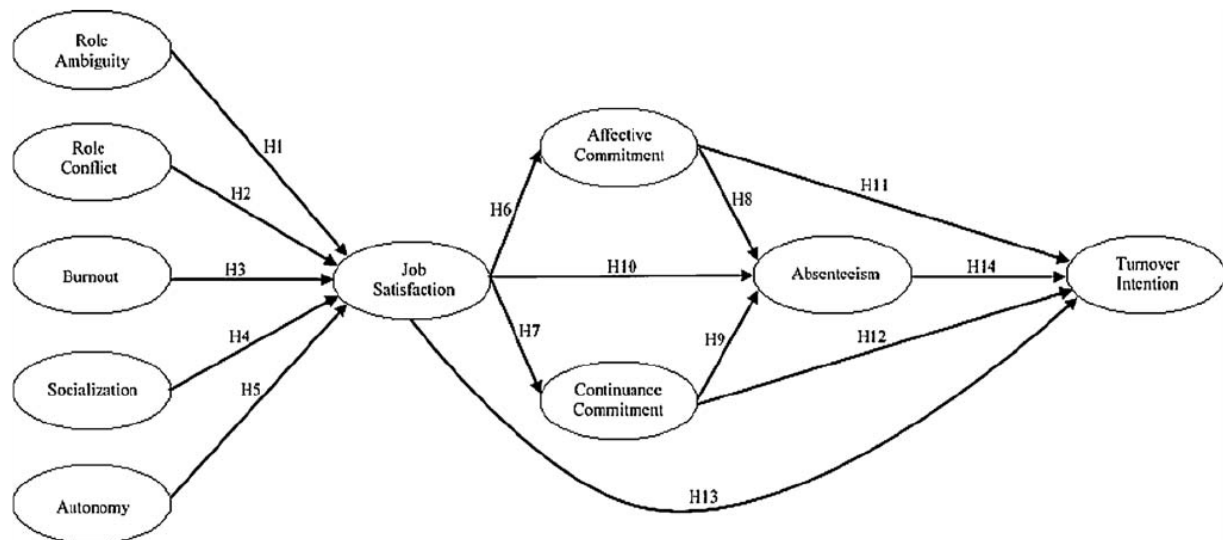


Figure 4. Hypothesized framework

Source: Jen-Te Yang (2009)

The hypotheses in this study were examined by collecting data from frontline employees in international tourist hotels in Taiwan. Questionnaires were delivered to human resources and departmental managers then would be randomly chosen and the questionnaires would be completed anonymously. All levels of employees were invited to participate in this study to collect information from different perspectives and to enhance the statistical efficiency of the sample. The questionnaire included words commonly used in the hotel industry in order to minimize the impact of device errors. These questionnaire contained three sections, using a 7-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). Section one aimed respondents' perceptions of role conflict and ambiguity, burnout, socialization, and work autonomy. Section two examined job satisfaction, organizational commitment, absenteeism, and turnover intention. And finally the third section collected demographic data with respect to sex, length of time in the hotel, place in the organizational hierarchy, and employment status.

The results of this study emphasized the contribution of role conflict because of the lack of job satisfaction. As Grant *et al.* (2001) reported, role ambiguity decreased the job satisfaction of frontline employees and thus accelerated turnover intentions. In this study Yang (2009) explained this finding in terms of the competition among international tourist hotels in the quality of service that makes the staff extremely sensitive to the perceptions and expectations

of the customer. More than in many other industries of the hospitality industry, front-line staff should closely monitor the operational situation related to quality and service, and frontline employees often use an individual approach to customer satisfaction. Because role stress obstructs job satisfaction, Yang (2009) said that it needs to be removed from the workplace. Also role conflict and ambiguity lead to job uncertainty, reducing individual creativity and enhancing tendencies toward depression.

In addition, the following results in this study demonstrate that socialization was indeed significantly and positively related to job satisfaction. Yang (2009) explains that this result means that the reduction of the negative stressors emerging during organizational socialization, such as role ambiguity and conflict, is the responsibility not only of employees, but also of organizations. For this reason, organizations need to develop effective socialization programs. This study also showed that employee burnout played a critical role as socialization in the development of job satisfaction, implying that job satisfaction is doomed if burnout is not managed well. This finding is also consistent with the existing literature (Hsieh and Chao, 2004; Gill *et al.*, 2006; Pienaar and Willemse, 2008). In this case it is recommended job rotation to alleviate such sources of job burnout as monotony and boredom with the daily operations involved in hospitality sector.

Yang (2009) also mentioned that the results of this study indicate that job satisfaction is a powerful contributor to the affective commitment of individuals to their organizations. This might imply that the affectively committed respondents in this study received support from their superiors, given that, Law *et al.* (1995) claimed that lower levels of job satisfaction led to the reluctance of employees to approach their superiors. This may mean that the affectively committed respondents in this study received support from their superiors, provided that Law *et al.* (1995) claimed that lower levels of job satisfaction led to the reluctance of employees to approach their superiors. This study also implies that respondents' perception of psychological rewards for example, in terms of role clarity, socialization practices, and work autonomy might be a significant determinant of employee job satisfaction because it is important for management to identify employee needs and expectations so that these can be considered in efforts to motivate workers. In their study Yang (2009) tried to investigate this issue in the hospitality industry but found that absenteeism was not a significant predictor of turnover intentions, possibly because absenteeism in this population was not seen as an issue or was not sufficiently widespread in this industry to impact organizational effectiveness. Nevertheless, the results show that greater job satisfaction and organizational commitment would essentially reduce employee absenteeism in the industry examined in this study. According to the results, role conflict, burnout, socialization, and work autonomy, but not role ambiguity, significantly predicted job satisfaction. In addition, job satisfaction significantly contribute to psychological outcomes in terms of organizational effectiveness (i.e., greater affective and continuance commitment and lower employee turnover intentions).

In conclusion, Yang (2009) said that individual job satisfaction is reinforced by reducing stress and facilitating job burnout through training, mentoring, and a realistic preview of the work proposed in the context of the processes of socialization, work-related. Therefore, this study contributes significantly to the understanding of the consequences related to organizational effectiveness like greater affective and continuing commitment and lower turnover intentions in the hospitality sector.

Another no less important research was made by Lee and Way (2009). It determines employment characteristics that influence employee satisfaction with work environments related to employment retention. Factors played different roles in measuring job satisfaction and employee retention in accordance with the individual employment characteristics, while

factors related to the work environment (location, communication, accomplishment, and department) should be addressed regardless of employment characteristics.

As noted by authors it is not a secret that in the hospitality industry satisfied workers stay in their jobs longer and treat customers better. The authors found that a combination of demographic, human capital, psychological attributes and hotel characteristics contributed to employee turnover. Therefore, the aim of this study was to determine whether an individual job satisfaction factors have a relationship with overall job satisfaction level of the individual and their intention to remain in their current place of work in accordance with the characteristics of employment by applying a newly modified job satisfaction scale.

Recently, Lee and Way (2009) noted that various job satisfaction studies have not clearly identified the role of individual employment characteristics in measuring satisfaction with work environments in the hotel industry. That is why in this study they chose to research the following characteristics: associated department, type of job, hours of working, years of experience, and working shifts.

Based on the purpose of this study two hypotheses were investigated:

- (1) There is a significant relationship between job satisfaction factors and overall job satisfaction according to employment characteristics.
- (2) There is a significant relationship between job satisfaction factors and intention to remain at the current hotel according to employment characteristics.

As we mentioned above the research of Lee and Way (2009) investigates job satisfaction factors and employment characteristics that influence an individual's satisfaction with work environment and the level of intention to remain at the current work place. Further an initial pool of issues related to job satisfaction was identified through a focus group. They organized a focus group consisted of 15 hotel workers, including 5 resident workers. Among these 15 hotels workers, 5 individuals worked in a limited service hotel and 10 individuals worked in two full service hotels.

In this study authors distinguish 17 attributes like: (1) satisfaction with location of the hotel; (2) English articulation; (3) work accomplishment; (4) department; (5) working condition; (6) working shift; (7) training for daily tasks; (8) career advancement & development; (9) job security; (10) supervisor (personal); (11) supervisor (technical); (12) benefit package; (13) pay; (14) workload; (15) level of opportunity to supervise others; (16) level of different work duty; and (17) my importance in the hotel were estimated by associating a quantitative value with each point of the six-point Likert scale.

Five job satisfaction factors were extracted: (1) Work Environment; (2) Work Itself; (3) Supervision; (4) Compensation; and (5) Personal Status. Multiple regression analysis was used to view how these extracted five job satisfaction factors influenced overall job satisfaction at the current workplace. Lee and Way (2009) noticed that it is critical for hoteliers to understand the factors considered important in measuring employees' overall job satisfaction and their intention to remain at the hotel. Understanding how employees feel about their work environment is only one requirement used in identifying job satisfaction factors.

Hartman and Yrle (1996) researched that long-term productive employees' lead to an organization's stability, which reinforced the foundation of the stabilization theory by stating: employees who are satisfied with their jobs tend to be more stable within their organizations, thus, contributing to an organization's positive perception within industry.

The purpose of this study was to identify whether job satisfaction factors have a relationship with an individual's overall job satisfaction and their level of intention to remain at their current workplace according to employment characteristics. Table 6 summarizes and shows the relationships among each employee job satisfaction factor and the intention of respondents to remain in the hotel according to employment characteristics.

First factor is the **work environment** factor; authors explain that the location of the hotel, communication/language, work accomplishment, and working department had a significant relationship with overall job satisfaction for almost all respondents regardless of their employment characteristics. However, they note that, there was a limited relationship among the intention to remain at the hotel for respondents holding management positions, working less than 40 hours per week, and having more than 2 years of work experience in the hotel, and those respondents who worked afternoon shifts. This presents that hotel employees tend to assess their workplace by where they work, for example, location and department, who they work with (communication; language) and what they are capable of doing like work accomplishment.

The Work Itself factor measured working conditions, shifts, training, career advancement, and job security. As the authors Lee & Way (2009) explored by analyzing it as an important factor in measuring overall job satisfaction and the respondents' level of intention to remain at the hotel. Respondents in management positions tended to be more sensitive to the factors: Work Environment and Work Itself. This concludes that respondents in management positions tended to be primarily concerned with their career goals regarding advancement to executive management positions.

The third factor is **the supervision** factor was an indication of the impact on overall job satisfaction for line employees who required personal contact with other managers and customers. Supervision factor also explained that as respondents became tenured they tended to be more sensitive to management practices and policies. Authors observed that this study is consistent with the results of a study by Bedeian *et al.* (1992) which showed a positive relationship between tenure at a job and other job satisfaction factors. In analyzing the relationship between supervision and the level of intention to remain at the current hotel, respondents who did not have regular work shifts tended to be more sensitive to supervision because they worked under the observation of managers. Possibly, those respondents may need to have consistent information and supervision regardless of shifts worked.

The Compensation factor including benefit package, pay, and workload also was valued as an important factor in measuring overall job satisfaction. Analyzing the results authors found out that those respondents working in the housekeeping department, respondents who worked more than 40 hours per week, and respondents working primarily morning shifts considered pay and workload as important job satisfaction factors.

The last fifth factor is **personal status**. The results of this factor surprisingly suggest that personal status was not significant for respondents who work in areas that require physical activity, while it showed a strong dependence for those parts of office or administrative tasks and respondents requiring personal business interactions. Also the study determined that for employees who worked more than 2 years in the hotel and employees who did not have routine shifts, personal status became a contributing factor to overall job satisfaction.

In this study, the authors have identified the fact that, compensation and personal status were not significantly related to the level of intention to remain at the hotel regardless of one's employment characteristics. The results indicated that hotel workers were less concerned about their compensation but were extremely concerned with who they work with, what work they perform, and also where they work.

In the next table we establish the comparison between factors affecting job satisfaction and those affecting intention to remain at the hotel.

Table 6. Comparisons between factors affecting job satisfaction and factors affecting intention to remain at the hotel.

Factors	Employment characteristics affecting job satisfaction	Employment characteristics affecting intention to remain at the hotel
Factor 1: Work Environment; location, English communication, accomplishment, department	By working departments Food and beverage Maintenance/security Front office Housekeeping By the level of the employment Line employee Management positions By years of working in the hotel More than 2 years Less than 2 years By hours of working in the hotel Less than 40 hours More than 40 hours By working shifts Morning Night Rotate	By the level of the employment Management By hours of working in the hotel Less than 40 hours By years of working in the hotel More than 2 years By working shifts Afternoon
Factor 2: Work itself; working condition, shift, training, career advancement, job security	By working departments Food and beverage By the level of the employment Management By hours of working in the hotel Less than 40 hours By working shifts Nights	By working departments Food and beverage By the level of the employment Management By working shifts Morning
Factor 3: Supervision; personal and technical	By working departments Food and beverage	By working shifts Rotate

	Maintenance By the level of the employment Line employee By years of working in the hotel More than 2 years By hours of working in the hotel Less than 40 hours By working shifts: Morning	
Factor 4: Compensation; benefit package, pay, workload	By working departments Housekeeping By the level of the employment Line employee By hours of working in the hotel More than 40 hours By working shifts Morning	
Factor 5: Personal status; job enrichment, job enlargement, social status	By working departments Front office Administrative By years of working in the hotel More than 2 years By working shifts: Rotate	

Source: Lee & Way (2009)

Lee and Way (2009) said that it is important to note that increased employee satisfaction levels may boost production levels; however, it may not optimize employee retention levels. The factors affecting job satisfaction and factors affecting employee retention are not always identical. Job satisfaction factors play varying roles in measuring job satisfaction and employee retention according to an individual’s work department, number of years in the hotel, types of job, hours of work, and work shift. Previous research summarizes that no one clear sign of the fact that some factors might be predictors of job satisfaction and intention to remain in the workplace. The authors also mentioned that hoteliers need to evaluate factors that play important roles in providing what employees expect from their employment. Thus programs or training for employees may need to be redesigned to meet employee expectations, which as the research indicates vary by employment characteristic. This study reinforces that job satisfaction factors related to the work environment must be addressed regardless of employment characteristics and represents the hotel industry in general. Such satisfying work environments can be linked to quality service and retaining quality employees.

In this study authors recommend that researchers and professionals in the hotel industry need to seek effective ways to measure factors that affect employee job satisfaction. Measuring and tracking employee job satisfaction is instrumental to customer satisfaction and is a retention device for most hospitality enterprises (Lee, 1988; Estelami and DeMaeyer, 2002). One of the recommendations of Lee and Way (2009) is that further research is necessary in this issue in the hotel industry and also should be explored in the areas of hotel segments for a more precise view of job satisfaction factors and their relationship to intention to stay at the hotel and in the hospitality industry.

4.2. The findings in employee loyalty for hospitality sector

This study focuses not just on the employee loyalty, but also aim to study employee loyalty in the hospitality industry; For that aim, it is worthy a closer look at the hospitality industry itself and its relationship to employee loyalty.

For example we took a few articles with application of the studies of employee loyalty on the hospitality sector. First we analyzed the study made by Ineson, Benke and Laszlo (2013) about employee loyalty in Hungarian hotels. This study focus is the association between Hungarian employees' job satisfaction and their loyalty to the organization. Data were collected from over 600 hotel employees throughout Hungary by questionnaire, designed to elicit their attitudes to loyalty and perspectives with respect to job satisfaction. An examination of the inter-relationships revealed that managers' treatment of employees and the positive benefits of social involvement in the workplace in hospitality sector had a greater impact on employee loyalty than monetary rewards.

Further, they consider two important questions: (1) What are the key components of Hungarian hotel employees' job satisfaction and loyalty to their companies? and (2) To what extent are these key components inter-related?

The findings were used to update and extend the questionnaire employed by Ineson *et al.* (2000). This process determined a framework within which Hungarian hotel employees' attitudes and behavior with respect to job satisfaction and loyalty.

Primary data collection was conducted in over 100 hotels throughout Hungary. Employees were invited by letter or to complete the paper-based questionnaire. Of the 652 respondents, 8.6% had managerial roles, 23.3% were supervisors and the remaining 68.1% were staff/operatives. Although there were roughly equal numbers of male and female supervisors, the operatives were predominantly female (63.2%) and the managers were predominantly male (66.7%). Only 26.8% of those who responded admitted to having considered leaving their current jobs. Although the gender distribution of this subgroup was similar, younger employees (30 years of age or under) are more likely to leave (33%) than those aged 31–40 (26%) or over 40 (21%). Almost half of the potential leavers (45.3%) worked in Budapest, with 17% in East Hungary and only 3% in North Hungary and the remainder divided fairly equally across the other geographic regions.

Next step was to make a table with relative importance of employees' reasons for being loyal. The results of this table was that the top reasons that impacted on employee loyalty were all intangible such as commitment to customer service and the company, good workplace relationships and respect for the boss. (Chen, 2001; Mahsud *et al.*, 2010; Jawahar and Stone, 2011). The highest ranked intangible reasons were convenient workplace location, job security, salary and suitable working hours. Surprisingly salary and other benefits were ranked lowest in terms of promoting loyalty. In general, these findings point out the fact that

the work environment, ambience and people are more important contributors to loyalty in Hungarian hotels than the tangible rewards.

Table 7. Respondents' ratings of the reasons for their loyalty

Reasons for being loyal	n	Rank	Mean	Std. deviation
I like providing good service to the customers	647	1	4.23	0.957
I enjoy meeting customers	649	2	4.09	1.536
I enjoy good communications with my work-mates	644	3	4.06	0.946
I get personal satisfaction from my job	660	4	3.98	1.033
I respect my head of department	643	5	3.97	1.032
I enjoy good communications with my managers	657	6	3.72	1.085
I am proud of my company	657	7	3.70	1.020
The location of my workplace is convenient for me	657	8	3.66	1.215
I have job security	653	9	3.54	1.088
The working hours are suitable for me	649	10	3.50	1.106
I think of the workplace as my second home and work-mates as my family	649	11	3.38	1.080
The job is varied; each day is different	653	11	3.28	1.126
I receive good training with this company	646	13	3.22	1.149
The job is fun	646	14	3.20	1.087
I have a career path planned for me/I have good promotional prospects	645	15	3.16	1.118
There are opportunities for skills' development in my job	645	16	3.12	1.158
The salary offered is good	648	17	3.03	1.137
My job is highly respected in the industry	648	18	3.01	1.048

My job is highly respected in the society	629	19	2.98	1.088
The benefits offered are good	640	20	2.96	1.154
The maternity/paternity package is good	578	21	2.89	1.238
Valid N (listwise)	495			

Source: Ineson, Benke and Laszlo (2013)

To respond to the second research question, the associations between Hungarian employee job satisfaction and their loyalty to the organization, their respective components were determined by correlation analysis (Ineson, Benke and Laszlo 2013). The findings of these analyses indicated the following statistically significant relationships between Hungarian employees' job satisfaction and their loyalty to their hotel companies: (1) personal satisfaction in the job is positively associated with commitment to managers and the company, job conditions, personal benefits, career and job status; (2) good social involvement in the workplace is positively associated with commitment to managers and the company, job conditions and service element and location; (3) career development is positively associated with job conditions, personal benefits and career and job status but negatively associated with service element and location; and (4) salary and benefits are positively associated only with commitment to managers and the company.

Finally, Ineson, Benke and Laszlo (2013) concluded that the responding Hungarian hotel employees appear to be a fairly representative sample when compared with other similar research. Although only 18% of the Hungarian sample had been with their present company for five years or more, their profiles indicated that they were relatively loyal to the hotel industry. However, they noted that employees of 30 years of age or under are more likely to leave their companies than their older co-workers.

The positive link between the contribution of the hotel's social environment, as measured by good relationships with customers, managers and workmates, the service element and the sense of achievement provided by the job, and respect for managers in a workplace where there is good communication plus pride in the company and a 'family' atmosphere role confirms the importance of the work context and the human interactions occurring in that environment referred to by Bloemer and Odekerken-Schröder (2006), Chen (2001), Mahsud *et al.* (2010), Milman (2003) and Ng *et al.* (2006).

Opportunities for career development also related to working conditions as a personal satisfaction from participation in the workplace. Such personal satisfaction was also positively associated with loyalty in terms of commitment to managers and the company (Silva, 2006) but also linked positively, alongside opportunities for career development, to some of the tangible elements that might promote loyalty such as monetary benefits (Charles and Marshall, 1992). Also authors noted that that salary and benefits are positively associated only with one component of employee loyalty, namely, commitment to managers and the company.

The key contributor to employee loyalty is supported by relatively good management employee and peer relationships. The authors note that the focus of the Hungarian employees'

loyalty appears to be on intangible, as opposed to monetary, rewards and features that build strong employee affiliation with management and the company.

In conclusion Ineson, Benke and Laszlo (2013) said that the findings of their study reinforce the importance of the Hungarian hotel industry retaining its culture that focuses strongly on intangible rewards and benefits if it is to continue to promote employee loyalty. They said that employees must be encouraged to make full use of their abilities in the workplace, to make a personal contribution to company and to achieve personal objectives. Employees are likely to respond well to empowerment including freedom and opportunity to use their initiative, and to participate in decision-making processes in the workplace by inviting and listening to their opinions.

In a different context, in the United States, another relevant study is made by Costen and Salazar (2011). They explore the relationships between training and development, and employee job satisfaction, loyalty, and intent to stay in four lodging properties in the United States. The purpose of the authors in this study was to investigate to what degree training and development influence employee satisfaction and to explore the relationships between training and development, and employee satisfaction with their jobs. In addition, due to the high turnover rate in lodging, the researchers examined the relationships between training and development, and employee loyalty and intent to stay. This study was conducted in four lodging properties of the hospitality sector located in the southeastern United States.

Thereby, the researchers developed several hypotheses to explore the relationships between training and employee job satisfaction, company satisfaction, loyalty, intent to stay and another hypotheses were developed to explore the relationships between opportunities for advancement and employee job satisfaction, company satisfaction, loyalty, and intent to stay. The survey was administered to 850 employees, and 641 completed the survey for a response rate of 75%. Some separate items were developed to measure the employees' satisfaction with specific human resource practices: (1) opportunity for advancement; and (2) opportunity to develop new skills and talents, the items utilized a five-point Likert-type scale.

A total of six items were used to measure the satisfaction, loyalty, and commitment variables. One item measured employee overall job satisfaction utilized a five-point Likert-type scale and another one item measured the employees' overall satisfaction with the company utilized a five-point scale. Two items were averaged to measure employee loyalty to the company and two items were also averaged to measure employee intent to stay. The loyalty and intent items also utilized a five-point Likert-type scale to measure the respondent's level of agreement with the items. The employees who participated in this study represented all levels within the organization including supervisors, executive committee members, and division level managers. The results of this study demonstrated that approximately 67% (n = 428) of the total sample were full and part-time employees, while 9.2% (n = 59) were full and part-time supervisors; almost 14% (n = 88) were managers and 3% (n = 19) were considered executives or members of the organization's leadership team; over 45% (n = 290) had been employed less than one year and approximately 55% (n = 351) were employed more than 1 year.

As seen from the table 8, this study's respondents rated their opportunities for advancement, the opportunities to develop new skills, and their overall satisfaction with the company a little higher than average (3 = average and 4 = good). In terms of job satisfaction, the respondents were neither satisfied nor dissatisfied (4 = satisfied). The respondents neither agreed nor disagreed with statements indicating their degree of loyalty to the company, or how likely they were to stay with the company (4 = agree).

Table 8. Variable mean scores

Variable	N _o	Mean	SD
Opportunity for advancement in this property	641	3.36	1.14
Your opportunity to develop new skills and talents	641	3.49	1.11
Overall satisfaction with job (Overall, how satisfied are you with your current job at this property?)	641	3.86	0.95
Overall satisfaction with company (Overall, how would you rate this company as a place to work compared to other companies you know about or have worked for?)	640	3.65	0.97
Employee loyalty	641	3.84	0.94
Employee intent to stay	641	3.61	1.04

Source: Costen and Salazar (2011)

To investigate the relationship between the opportunities for development of new skills, opportunities for advancement, work satisfaction and company loyalty and commitment, the authors Costen and Salazar (2011) used a four-step multiple regression analysis using job satisfaction and company loyalty and commitment. The opportunity to develop new skills and opportunities for advancement have been put into the regression as independent or exogenous variables.

Using regression analysis the authors have identified that the opportunity to develop new skills and the opportunity for advancement have positive, significant effects and are important determinants of job satisfaction, employee loyalty, and intent to stay. Also in this study, the researchers confirm that the opportunity to develop new skills explained almost 27% of the variance in employee job satisfaction. The authors Costen and Salazar (2011) also emphasized that training opportunities provide employees with the necessary skills, knowledge, and abilities they need to perform their jobs to the company's standard, which subsequently enhances the employees' confidence in their abilities and satisfaction with their jobs. The opportunity to develop new skills accounted for over 38% of the variance in employee loyalty and explained 30% of the employees' intent to stay.

Since the lodging industry has an average turnover rate exceeding 65%, it is imperative that lodging organizations in hospitality sector understand what can reduce this rate. Creating and implementing training programs may be a method for reducing the industry's turnover rate. In this study, the authors conclude that an organization's training programs have the potential to increase the likelihood an employee will stay with an organization, thereby reducing involuntary turnover. Also the authors note that opportunity for advancement cannot explain the significant differences in the number and satisfaction of the company, employee loyalty, and intention to stay. The results of this study show; however, that the opportunity for advancement does significantly affect employee job satisfaction and company loyalty and intention to stay. Today, many companies are focused on the promotion of hospitality from the inside; therefore, there is the possibility of ensuring the quality of staff is a key component of this strategy. Related to that, the results of this study demonstrate that the providing

employees' opportunities for advancement within the organization can increase loyalty and reduce involuntary turnover.

Another important result of this study indicate that employees who perceive they have the opportunity to develop new skills are more satisfied with their jobs, more loyal, and more likely to stay with the organization and significantly influence an employee's job and company satisfaction. Authors noted that these findings are important because they suggest that one way lodging organizations in hospitality sector can increase employee loyalty and reduce involuntary turnover is to invest in and develop quality training programs.

In conclusion Salazar & Costen (2011) said that these results suggest that employees consider the opportunity to develop new skills an important factor that influences to their satisfaction with their current job, and also their satisfaction with the company. This opportunity also positively influences their loyalty to the company and their intent to remain with their organization. Consequently, lodging managers should partner with human resources to promote the various training opportunities in the company. Also lodging managers should ensure that all employees receive formalized training that helps them learn the essential components of their jobs. Nevertheless, both the opportunity to develop new skills and the opportunity for advancement significantly influence an employee's job and company satisfaction as well as loyalty and intent to stay.

5. CONCLUSION

The purpose of this study was to make a literature revision of two important topics related to the provision of Service quality (employee satisfaction and employee loyalty) in the context of the service industry in general and in the hospitality sector in particular. This context is based in the delivery of services provided by employees who have a lot of human interactions with the customers. As long as they feel satisfied with their jobs, they will be more engage to the organization and therefore they will have more feelings of loyalty to their jobs and they will work harder in order to fulfill their customer expectations.

In our master thesis we revised several definitions of the authors on employee job satisfaction and we made a comparative table that included different perspectives. In simple terms, we can conclude that employee job satisfaction explains what makes people happy about their jobs and is the main reason for not to quit their jobs. Employee job satisfaction also can be understood as the ability of the employees to give their opinions about their general emotions and their thinking about their jobs and workplaces as the result of the comparison to others. Therefore, employee job satisfaction is affected by other factors and changes when other factor changes. In the theoretical review, we found that factors such as supervisor support, fringe benefits, teamwork, working environment and training have greater impact on employee job satisfaction.

Further we considered the different perspectives of the authors about the concept of employee loyalty and we mention them through a comparative table. In this table we gathered various definitions of authors about employee loyalty in the last twenty years. Supporting on this table and results of the most important empirical studies about employee loyalty, we summed up the main conclusions and results. Some authors like Ineson & Berechet (2011) said that the main dimensions associated with employee loyalty in the literature include: salary, benefits, interpersonal relationships, personal incentives and individual characteristics, including gender, age, job tenure and position. Summarizing all the above, and taking into account the diversity of opinion on the concept of "employee loyalty", we proposed the following global definition of employee loyalty: Employee loyalty is a characteristic of the staff, which

determines its friendly, sincere, respectful attitude to management, and to other employees, their actions and the enterprise as a whole. Employee loyalty is also compliance with rules, regulations and obligations in respect of the company, its management and employees.

After going through the conceptualization of these topics, we have examined methods (tangible and intangible) of stimulation for achieving employee loyalty and briefly explained forms of intangible methods like: promoting the career ladder, operating environment, trust of the employer or a sense of meaning in a position held among others. The experience of experts in the field of personnel management indicates that the formation of loyalty in the company must be based on intangible factors, because loyalty, as an emotion, cannot be bought, it can be formed gradually with the help of friendly relations in the team, honesty from management and attention to employees. But authors point out that other important factors are remuneration, opportunities for employee professional and personal growth and development as tangibles factors we can improve employee loyalty.

Based on the above we can infer that all authors emphasize that an increase in employee loyalty decreases the probability of leaving employee from the company.

Having examined more in deep the concepts of employee job satisfaction and employee loyalty, we considered the need to study in our master thesis work the impact of employee satisfaction on employee loyalty, based on the results of several empirical studies. Next, the model of employee loyalty was developed based on the literature studies. There are three effect variables (job satisfaction, employee loyalty and perceived contribution to the company value) in this model. Also six determinants (Leadership, Human relations and values, Personal development and competencies, Job contents, Creativity and innovation and Customer orientation) have been identified as strong influences to employee loyalty and employee job satisfaction.

In this third chapter of our master thesis we reviewed one empirical work elaborated by Matzler and Renzl in 2006 which shows how employee satisfaction influences on employee loyalty by trust in peers and trust in management. In their study authors developed three hypotheses regarding the trust–satisfaction–loyalty relationship and measured all constructs using existing and tested scales. The results of this hypotheses and scales modeling with Partial Least Squares (PLS) confirm a strong link between trust, employee satisfaction and employee loyalty. From Matzler and Renzl (2006) empirical study and results we found out that trust in peers has a much stronger impact on employee satisfaction than trust in management and also, the results of this study reveal that employee job satisfaction has a strong impact on employee loyalty.

According to this, Schlesinger (1982) indicated that employees who are satisfied with their jobs provide better services than those who are not satisfied. Because service products are provided through people, employers need to maintain employees' expectations (Rafaeli, 1989) and this is especially true in the hospitality and tourist industry because it is heavily based on human interactions.

In the last chapter we summarized the main results of several empirical studies applied in the hospitality sector, their hypotheses and methodology. For example, Yang (2009) put forward several hypotheses related to job satisfaction, thus facilitating a more complete theory of organization and management in the hospitality industry. The hypotheses were examined by collecting data from frontline employees in international tourist hotels in Taiwan. According to the results, role conflict, burnout, socialization, and work autonomy, but not role ambiguity, significantly predicted job satisfaction. In his study, Yang (2009) also examined the effects of four factors (i.e., role conflict, burnout, socialization, and work autonomy) on job satisfaction and explored the relationships among job satisfaction, affective and continuance commitment,

and employee turnover intentions. Yang (2009) concluded that his study contributes significantly to the understanding of the consequences related to organizational effectiveness like greater affective and continuing commitment and lower turnover intentions in the hospitality sector.

Another empirical study we reviewed is the one developed by Lee and Way (2009). They noted that in the context of the hospitality industry, satisfied workers stay longer in their jobs and put more efforts in treating well their customers in order to satisfy them. The authors found that a combination of demographic, human capital, psychological attributes and hotel characteristics contributed to employee turnover. In their study Lee and Way (2009) distinguish five job satisfaction factors and noted that it is important for hoteliers to know what factors are considered important in the assessment of the overall job satisfaction of employees and their intention to stay at the hotel. Understanding how employees feel about their work environment is used to determine the factors of job satisfaction. Lee and Way (2009) showed the relationships among each employee job satisfaction factor and the intention of respondents to stay in the hotel according employment characteristics. This study confirms that the factors of job satisfaction related to the working environment must be addressed independently of the characteristics of employment and represents the hotel industry in general.

Further we reviewed studies and their main results related to employee loyalty in the hospitality industry. Recently, the authors Ineson, Benke and Laszlo (2013) found that the intangible rewards such as work environment, ambience and people are more important contributors to loyalty in Hungarian hotels than the tangible rewards.

In another study Costen and Salazar (2011) explore the relationships between training and development, employee job satisfaction, loyalty, and intention to stay in four lodging properties of the hospitality sector located the southeastern United States. They used a four-step multiple regression analysis using job satisfaction and company loyalty and commitment. The opportunity to develop new skills and opportunities for advancement have been put into the regression as independent or exogenous variables. Using this regression analysis Costen & Salazar (2011) identified that the opportunity to develop new skills and the opportunity for advancement have positive and significant effects and therefore are important determinants of job satisfaction, employee loyalty, and intent to stay. Another important result in this study was that employees who perceived they have the opportunity to develop new skills are more satisfied with their jobs, more loyal, and more likely to stay with the organization and significantly influence an employee's job satisfaction.

Finally, based on these results, we can conclude that as long as the employees perceive more satisfaction from their jobs, they will develop feelings of loyalty towards their organizations. Considering all the findings provided by the literature, we can suggest that one way that lodging organizations in the hospitality sector can increase employee loyalty and reduce involuntary turnover is to invest in and develop quality training programs. These quality training programs will make them develop more skills that will increase their job satisfaction and consequently they will feel more engage to their organizations.

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APPENDIX 3.3: Scales

Scale of Trust in peers

Construct	Item loading	Internal consistency	Average variance extracted
Faith in intentions of peers		0.77	0.53
1. If I got in difficulties at work I know my colleagues would try and help me out	0.72		
2. I can trust the people I work with to lend me a hand if I needed it	0.72		
3. Most of my colleagues can be relied upon to do as they say they will do	0.74		

Source: Cook and Wall (1980)

Scale of Trust in management

Construct	Item loading	Internal consistency	Average variance extracted
Faith in intentions management		0.78	0.54
1. Management at my firm is sincere in its attempts to meet the employees' point of view	0.80		
2. I feel quite confident that the firm will always try to treat me fairly	0.63		
3. Our management would be quite prepared to gain advantage by deceiving the employees (reverse coded)	0.76		

Source: Cook and Wall (1980)

They measured Employee satisfaction through a six-item scale that reflects overall satisfaction rather than any specific dimension of employee satisfaction (Homburg & Stock, 2004a, 2005b).

Scale of employee satisfaction

Construct	Item loading	Internal consistency	Average variance extracted (AVE)

Faith in intentions management		0.89	0.58
1. Overall, I am quite satisfied with my job	0.87		
2. I do not intend to work for a different company	0.49		
3. I like my job	0.86		
4. There are no fundamental things I dislike about my job	0.74		
5. I like my job more than many employees of other companies	0.79		
6. I consider this employer as first choice	0.77		

Source: Homburg & Stock (2004 and 2005)

Employee loyalty has been measured with a five-item scale adapted from Homburg & Stock (2000) using a five-point Likert scale (from ‘strong approval’ to ‘strong disapproval’).

Scale of employee loyalty

Construct	Item loading	Internal consistency	Average variance extracted (AVE)
Faith in intentions management		0.84	0.53
1. I speak positively about my company when talking to customers	0.53		
2. I speak positively about my company when talking to friends and relatives	0.47		
3. I can recommend the products and services of my company to others	0.73		
4. I would like to stay with this company also in the future	0.78		
5. I would not change immediately to another company if I got a job offer	0.77		

Source: Homburg & Stock (2004 and 2005)